

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 7439

BILL NUMBER: HB 2054

DATE PREPARED: Feb 10, 1999

BILL AMENDED:

SUBJECT: Financial institutions tax.

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FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill exempts interest received from United States Treasury obligations from the Financial Institutions Tax.

Effective Date: January 1, 2000.

Explanation of State Expenditures: The Department of Revenue will have some administrative expenses associated with revising tax forms, instructions and computer programs. These expenses will be covered under their existing budget.

Explanation of State Revenues: (Revised) This bill exempts interest received from United States Treasury obligations from the Financial Institutions Tax (FIT). Interest earnings from United States Treasury obligations represents a significant portion of income earned by financial institutions. Based on data from the Federal Deposit Insurance Corporation (FDIC), it is estimated that Indiana banks had approximately \$527 M in interest earnings from U.S. Treasury securities and U.S. Government agency obligations. Financial institutions also had \$83 M in interest earnings from other debt securities (which would include U.S. Treasury securities.) Based on the assumption that a portion of these interest earnings are attributable to U.S. Treasury securities, this new exemption will reduce FIT revenue by approximately \$24 M to \$34 M annually. FIT revenue for FY 98 was \$96 M and revenue collections are deposited in the General Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: Local units of government receive a guaranteed distribution of FIT so local revenue will not be affected.

State Agencies Affected: Department of Revenue.

Local Agencies Affected:

Information Sources: Department of Revenue; Federal Deposit Insurance Corporation Research Database.